

Message Text

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ACTION EB-08

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 6940

C O N F I D E N T I A L MANILA 3527

FOR ASSISTANT SECRTARY KATZ FROM SULLIVAN

REF: (A) STATE 050884, (B) STATE 038949,

1. THANKS FOR YOUR CABLE (REF A) ON ALL-CARGO AIR SERVICE PROBLEM WITH PHILIPPINES. THE RESEARCH WHICH YOUR STAFF HAS DONE IS COMMENDABLE, BUT RESULTS NOT ENTIRELY ENCOURAGING. FOR EXAMPLE, THEY ARE INACCURATE IN ONE PRESENTATION OF PREVIOUS PAN AM SERVICES. MOREOVER, THEY FAIL TO POINT OUT HOW U.S. NEGOTIATORS MADE IT IMPOSSIBLE TO CLARIFY SIGNIFICANCE OF "SYMPATHETIC CONSIDERATION" BY SHIFTING U.S. DEFINITIONS OF PHRASES "SYMPATHETIC" AND "FAVORABLE" IN MID-STREAM. HOWEVER, I DO NOT RPT NOT WISH SPLIT FURTHER HAIRS, BUT RATHER TO ADDRESS PROBLEM AS IT NOW EXISTS.

2. IT IS MY ESTIMATE THAT GOP, FOR VARIOUS REASONS, WILL REFRAIN FROM DENOUNCING 1974 INTERIM ARRANGEMENT IN ITS ENTIRETY ON GROUNDS THAT WE HAVE VIOLATED IT, ALTHOUGH THAT HAD BEEN MY EARLIER CONCERN. INSTEAD, I WOULD EXPECT THEM TO PRESS VIGOROUSLY TO HAVE IT PROPERLY IMPLEMENTED, INSOFAR AS PAL ALL-CARGO APPLICATIONS ARE CONCERNED.

3. IN THE MEANTIME, THEY WILL CONTINUE TO DEFER ACTION ON FTL APPLICATION FOR EQUIPMENT CHANGE. SINCE FTL, FOR VARIOUS REASONS ASSOCIATED WITH ITS CARGO REQUIREMENTS
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IN TAIWAN AND ELSEWHERE, WILL HAVE TO PROCEED WITH ITS CONVERSION FROM DC-8 TO 747, THIS WILL MEAN THAT, IN ABSENCE PHILCAB PERMISSION FOR EQUIPMENT CHANGE, FTL WILL HAVE TO OVERFLY MANILA. SINCE, ACCORDING TO REF B, FTL "IS PREPARED SUFFER CONSEQUENCES," THIS APPEARS TO BE THE ANTICIPATED AND ACCEPTABLE SITUATION.

4. ELIMINATION OF FTL ALL-CARGO SERVICES FROM MANILA WILL MEAN THAT AIR CARGO TO AND FROM MANILA WILL BE PARTITIONED AMONG PAN AM, NWA, AND PAL PASSENGER FLIGHTS. SINCE ALL OF THEM FLY WIDE-BODIED AIRCRAFT AND CURRENTLY HAVE CARGO SPACE TO SPARE, THIS REDISTRIBUTION OF REVENUES WILL BE EASILY ACCOMMODATED AND WELCOMED BY THE OTHER THREE CARRIERS.

5. YOU ASK HOW I EXPECT IT MIGHT BE POSSIBLE TO REVERSE THIS SITUATION AND OBTAIN PHIL CAB APPROVAL OF FTL DESIRE FOR EQUIPMENT CHANGE. MY ANSWER IS THAT I DOUBT THERE WILL BE MUCH PROSPECT OF THIS, GIVEN US CAB TACTICS IN CURRENT AFFAIR. WITH PRESENT LEVEL OF CARGO BOOKINGS, SITUATION DESCRIBED IN PARA 4 ABOVE WILL DOUBTLESS STABILIZE AND, IN FACT, BECOME A DAMAGE-LIMITATION CONSEQUENCE OF US CAB BRINKSMANSHIP. WE WILL THEREFORE HAVE TO ACCEPT FACT THAT NET RESULT OF THIS FOOT-SHOOTING EXERCISE WILL BE THE ELIMINATION OF ONE U.S. CARRIER FROM THE MARKET.

6. THE ONLY PROSPECTS I SEE FOR REINTRODUCTION OF FTL LIE IN TWO CIRCUMSTANCES:

A. CARGO AVAILABILITY TO AND FROM MANILA INCREASES TO SUCH LEVELS THAT CURRENT CARRIERS CAN NOT HANDLE IT AND PAL SERIOUSLY RPT SERIOUSLY WANTS TO INSTITUTE AN ALL-CARGO SERVICE. AT THAT POINT, SOME SORT OF TRADE-OFF MIGHT BE WORKED OUT; OR

B. US CAB WITHDRAWS ITS OBJECTION TO PAL ALL-CARGO APPLICATIONS AND PERMITS THEM TO TAKE PLACE AS ANTICIPATED
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AND PROVIDED FOR IN THE 1974 INTERIM ARRANGEMENT. IN THAT CASE, WE WOULD HAVE CLEAN HANDS AND COULD, IN GOOD FAITH, PRESS TO HAVE "SYMPATHETIC CONSIDERATION" FOR FTL EQUIPMENT CHANGE CONVERTED INTO POSITIVE ACTION BY PHIL CAB. HOWEVER, IN CURRENT CIRCUMSTANCES, IN WHICH U.S. HAS TAKEN INITIATIVE TO ABROGATE 1974 INTERIM ARRANGEMENT, IT IS IMPOSSIBLE APPLY SUCH PRESSURE.

7. MY CURRENT RECOMMENDATION, THEREFORE, IS THAT WE RELAX AND LET AIR CARGO SITUATION FIND ITS OWN VALENCE. IF THERE IS SPACE SHORTAGE, PARAGRAPH 6A MAY BECOME OPERAABLE. IN THAT CASE, I WOULD RECOMMEND THAT BURDEN OF EFFORT CARRIED BY FTL, WHICH HAS PHILIPPINE MANAGEMENT HERE AND CAN AVERT SOME OF THE FRICTIONS CAUSED BY PREVIOUS OFFICIAL U.S. REPRESENTATIONS.
SULLIVAN

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Sent Date: 10-Mar-1977 12:00:00 am
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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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